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C O N F I D E N T I A L SECTION 01 OF 04 MUMBAI 001375

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DEPT. OF ENERGY FOR U/S GARMAN, S. JOHNSON, T. CUTLER, A.
SCHEINEMAN
DEPT. OF COMMERCE FOR U/S FRANK LAVIN

E.O. 12958: DECL: 7/26/2016

TAGS: [PREL](#) [PARM](#) [TSPL](#) [KNNP](#) [ETTC](#) [ENRG](#) [TRGY](#) [PGOV](#) [BEXP](#) [IN](#)
SUBJECT: A \$5-\$6 BILLION "NUCLEAR PARK" FOR U.S. REACTORS IN INDIA?

REF: New Delhi 3706

CLASSIFIED BY: Michael S. Owen, Consul General, Consulate
General Mumbai, State.

REASON: 1.4 (b), (d)

Summary

¶1. (C) The head of India's state-run nuclear power company told visiting Charge on July 21 that U.S. nuclear suppliers could get their own "nuclear park" of five to six reactors worth \$5-\$6 billion if the U.S./India civil nuclear agreement becomes reality. S.K. Jain, MD and Chairman of the Nuclear Power Corp. of India (NPCIL), said the "American park" would be one of three -- the others would likely house French and Russian reactors -- that the NPCIL hoped to build as part of its plan to create 40 Gigawatts (GW) of nuclear generation capacity by 2020. That target, announced by PM Singh after the historic July 18, 2005 summit in Washington without apparent consultations with NPCIL, was "very ambitious," Jain said, and would not allow NPCIL the luxury of conducting individual tenders for each new foreign reactor it purchased. Instead, NPCIL would enter into direct bilateral negotiations with selected suppliers, most likely from the U.S., France and Russia. Bundling imported reactors in parks would also reduce both costs and construction times, Jain said. India would need to import 750 tons of lightly enriched uranium annually to fuel 40 GW of generation capacity, he added. The NPCIL was open to joint ventures with U.S. companies once India's laws were changed, he said, although he did not appear optimistic that the enabling legislation would be enacted soon. The company was also keen to take advantage of the commercial opportunities offered by the USG's decision to de-license

certain exports to India, yet U.S. companies had found India's needs too small to be commercially viable, Jain said. He reacted enthusiastically to Charge's suggestion to use the large scale USDOC-led trade delegation to India, scheduled for late November, to introduce NPCIL to more U.S. companies involved in the civil nuclear sector, and also proposed the establishment of a US-India working group to cultivate channels of cooperation between NPCIL and U.S. civil nuclear technology companies. End summary.

NPCIL's "Very Ambitious" Expansion Plans

¶2. (C) In his July 21 meeting with Charge Geoffrey Pyatt, Jain outlined NPCIL's plans to create 40 Gigawatts (GW) of nuclear generation capacity by 2020. Jain, who called the target "very ambitious" acknowledged that India could not achieve the goal on its own, but would depend on significant imports of both reactors and fuel. (Note: Prime Minister Singh announced the 40 GW target, apparently without prior consultations with the Dept. of Atomic Energy and NPCIL, following his July 18 2005 meeting with President Bush in Washington. Before Singh's announcement, the NPCIL had planned to build 20 GW capacity by 2020. End note). To reach the goal, Jain said, India needed 21-24 foreign reactors over the next 14 years, each with 1 GW of generation capacity. India will also need to import about 750 tons of lightly enriched uranium annually to meet the 40 GW target, Jain said. (In its earlier planning, the NPCIL hoped to import 6 foreign reactors by 2020 in addition to the two Russian reactors now under construction in Kudankulam).

A "Nuclear Park" for U.S. Reactors

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¶3. (C) Jain explained in greater detail the company's plans, mentioned in earlier discussions with the press (ref A), to create "nuclear parks" to house the new reactors. He stated openly that NPCIL would like to create "American, French and Russian" parks, each of which would house reactors built by companies from one of the three countries. Bundling reactors of similar origin in a few locations would reduce both construction costs and times, he said. Ideally, each would be home to a cluster of 5 to 6 foreign reactors. The NPCIL expected each reactor to have a capacity of 1 GW and cost about \$1 billion, Jain said. The company was now identifying coastal sites for the parks. Responding to the Charge's question, Jain acknowledged that the Russian park would be located at the Kudankulam site in southeast India where two Russian 1 GW light water reactors (LWRs) were currently under construction. Coastal sites in Gujarat and Maharashtra in western India were the most likely locations for the other two parks, Jain said. NPCIL hoped to get approval for the sites by the end of the year, he added.

¶4. (C) Jain said that the ambitious time frame did not allow for open tenders. Instead, NPCIL planed to conduct direct bilateral negotiations with selected foreign suppliers from the three countries. He acknowledged that significant price differences existed between the suppliers, yet the NPCIL would operate all the reactors at a profit because the company could easily sell all the power it generated in India's rapidly growing power markets, he said.

¶5. (C) This approach was only the first step in NPCIL's long term plans to import reactor technology, Jain said, and was predicated by the urgent need to meet the Prime Minister's target. The NPCIL was also interested in other forms of cooperation, such as joint ventures, Jain said. Charge asked Jain about the state of draft legislation which, if enacted, would allow private participation in India's civil nuclear power sector. Jain said that the legislation would permit public/private partnerships but stipulate that the state maintain a majority shareholding in each case. The draft

legislation did not specifically mention foreign direct investment, yet it was drafted in a manner that would enable foreign stakes in Indian nuclear power companies subject to certain conditions laid out by the GOI, he said. Jain said the NPCIL was open to joint ventures. Foreign companies could contribute their technology while NPCIL could offer its knowledge of the Indian market and the regulatory environment, he said. He hinted that the legislation may be facing obstacles in the Indian parliament. He declined to speculate when the bill, originally submitted by the NDA government, might pass, and only stated that the legislation was currently the object of "coalition politics."

NPCIL Interest in Foreign Cooperation

¶ 16. (C) Jain said that foreign firms, sensing the opportunities opened by the civil nuclear agreement, had approached NPCIL with increasingly regularity. He recounted the recent visit of GE Chairman and CEO Jeffrey Immelt, whom Jain quoted as saying that GE wasn't interested in India if it meant only selling a small number of reactors. GE, Jain said, wanted to establish a major manufacturing presence for nuclear hardware in India that would also service export markets, including the U.S. Jain also said that foreign banks such as Bank of America and France's BNP had approached NPCIL about the possibility of providing financing for the purchase of nuclear hardware from the U.S. and France.

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USG Sees India as Nuclear Partner, and As Customer

¶ 17. (C) Charge told Jain that the U.S. sees India not only as a strategic civil nuclear partner, but also as a customer. In addition to well-known suppliers such as General Electric and Westinghouse, many small and medium sized U.S. companies were well positioned to help the NPCIL meet its ambitious expansion plans. The competitiveness of U.S. nuclear suppliers would only increase in the coming years, Charge pointed out, since the U.S. was seeing a renaissance of nuclear energy that would lead to growth and innovation throughout the entire industry.

No Luck in Buying License-Free U.S. Hardware

¶ 18. (C) Jain said that the NPCIL had approached selected U.S. companies last year after the USG lifted licensing requirements on certain nuclear technologies not subject to international controls. The response was muted, Jain said, since U.S. suppliers found the Indian requirements to be too small to be economically viable. Jain suggested that the U.S. and India establish individual working groups to improve bilateral commercial nuclear ties. U.S. firms would always be welcome, and they would always get priority, Jain said. He pledged that NPCIL would always guarantee post-installation verification and transparency of all licensed technology it was allowed to import.

¶ 19. (C) The Charge told Jain that USDOC was bringing a sizable trade delegation, possibly the largest in U.S. history, to India in late November. Jain responded positively to his suggestion to include U.S. firms that might be of interest to the NPCIL and other Indian companies that supply civil nuclear technology. Charge also suggested that NPCIL's interest in procuring de-licensed U.S. technology could be an action item for the High Technology Cooperation Group (HTCG). Jain offered his support for the suggestion as well.

NPCIL's Current Operations

¶ 10. (C) With the Tarapur unit 3 having come on line earlier this year, NPCIL was now operating 16 reactors with a capacity of 3.8 GW, Jain said. Another six reactors now under construction -- four indigenously designed pressurized heavy reactors (PHWR) and

the two Russian LWRs -- would bring capacity to 6.8 GW by 2008 at the latest, he said. By 2020, the NPCIL hoped to generate 10 GW of power via PHWRs and 2 GW via fast breeder reactors (FBR). The test FBR in Kalpakkam was already generating power, he said, and the first prototype FBR was on schedule to go commercially operational in 2011. Domestic natural uranium supplies were only sufficient to power the 10 GW of PHWRs, Jain said, hence the NPCIL could not meet the Prime Minister's goal even if it were capable of building far more domestically designed PHWRs. Reliability of fuel supplies was a serious concern, he said. Currently India was exploring the option of establishing joint commercial ventures with foreign mining companies as part of its efforts to secure fuel supplies, Jain admitted. It had already had initial discussions with both Canadian and U.S. companies, including U.S. energy mining and energy company USEC.

Comment

¶11. (C) Jain clearly acknowledged that the USG decision to seek full civil nuclear cooperation with India is the lynchpin to his company's future expansion plans, since the NPCIL cannot even

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achieve its old plan of 20 GW by 2020 without imported reactors and fuel. He was therefore eager to stress that India sees a significant role for U.S. firms in the country's ambitious civil nuclear plans, mitigating concerns that the civil nuclear deal might primarily benefit France and Russia, both of which appear to have enjoyed a more intimate relationship with NPCIL in the past than U.S. companies. USDOC's trade delegation, scheduled for late November, offers a timely opportunity that should not be missed. We encourage USDOC to target as many U.S. companies as possible that could have an interest in participating in India's aggressive civil nuclear expansion plans. End comment.

¶12. (U) Charge Geoffrey Pyatt cleared this cable.
OWEN